

**TOWN OF BOLTON LOCAL
DEVELOPMENT CORPORATION
FINANCIAL REPORT
DECEMBER 31, 2015**

TOWN OF BOLTON LOCAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Kevin J. McCoy, CPA

Thomas W. Donovan, CPA

Frank S. Venezia, CPA

James E. Amell, CPA

Carol A. Hausamann, CPA

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To The Board of Directors
Town of Bolton Local Development Corporation
Bolton Landing, New York

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Town of Bolton Local Development Corporation (Organization), a public benefit corporation, which comprise the balance sheet as of December 31, 2015, and the related statements of operations and accumulated deficit and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Town of Bolton Local Development Corporation's investment in Norowal Marina, Inc. is presented in the balance sheet as \$2,553,406. Management is unable to provide sufficient appropriate audit evidence about the carrying amount of its investment in Norowal Marina, Inc. As a result, we were unable to determine whether any adjustments were necessary relating to the investment in Norowal Marina, Inc.

The Town of Bolton Local Development Corporation's additional paid in capital amount is presented in the balance sheet as \$288,474 as of December 31, 2015. Management is unable to provide sufficient appropriate audit evidence about the balance in additional paid in capital. As a result, we were unable to determine whether any adjustments were necessary relating to additional paid in capital.

The Town of Bolton of Bolton Local Development Corporation's equity in net income of Norowal Marina, Inc. is presented as \$232,468 for the year ended December 31, 2015. Management is unable to provide sufficient appropriate audit evidence about net income of Norowal Marina, Inc. As a result, we were unable to determine whether any adjustments were necessary relating to the net income of Norowal Marina, Inc.

As disclosed in note 2 to the financial statements, accounting principles generally accepted in the United States of America require that the reporting entity include in its financial statements the consolidated financial information of all entities in which it has a controlling financial interest. The Town of Bolton Local Development Corporation's financial statements do not include the accounts of Norowal Marina, Inc., a wholly-owned subsidiary of the Town of Bolton Local Development Corporation. The accounts of Norowal Marina, Inc. have not been audited, therefore, the effect this departure from accounting principles generally accepted in the United States of America on the financial statements cannot be quantified as it is undeterminable.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Correction of Error

As described in Note 6 to the financial statements, errors in accounting for the investment in Norowal Marina, Inc. and retained earnings were discovered by management during 2015. The errors resulted in the overstatement of the investment in Norowal Marina, Inc. and a corresponding overstatement of retained earnings. Accordingly, amounts reported for the investment in Norowal Marina and retained earnings have been adjusted as of December 31, 2014 to correct the error. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2016 on our consideration of the Town of Bolton Local Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bolton Local Development Corporation's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Queensbury, NY
March 23, 2016

**TOWN OF BOLTON LOCAL DEVELOPMENT CORPORATION
BALANCE SHEET
DECEMBER 31, 2015**

ASSETS

Current Assets

| | | |
|------|--|-----------|
| Cash | | \$ 72,290 |
|------|--|-----------|

Other Assets

| | | |
|------------------------------------|--|-----------|
| Website | | 752 |
| Investment in Norowal Marina, Inc. | | 2,553,406 |
| Total Other Assets | | 2,554,158 |

| | | |
|---------------------|--|--------------|
| Total Assets | | \$ 2,626,448 |
|---------------------|--|--------------|

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities

| | | |
|-----------------------------------|--|---------|
| Accounts payable | | \$ 316 |
| Accrued expenses | | 1,160 |
| Current portion of long-term debt | | 121,531 |
| Total Current Liabilities | | 123,007 |

Long-Term Debt

| | | |
|--|--|-----------|
| Mortgage payable, net of current portion | | 1,477,217 |
| Note payable | | 2,000,000 |
| Total Long-Term Debt | | 3,477,217 |

Stockholders' Deficit

| | | |
|----------------------------|--|-------------|
| Common stock | | 1,000 |
| Additional paid in capital | | 288,474 |
| Accumulated deficit | | (1,263,250) |
| Net Stockholders' Deficit | | (973,776) |

| | | |
|--|--|--------------|
| Total Liabilities and Stockholders' Deficit | | \$ 2,626,448 |
|--|--|--------------|

**TOWN OF BOLTON LOCAL DEVELOPMENT CORPORATION
STATEMENT OF OPEATIONS AND ACCUMULATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2015**

Revenue

| | |
|--|----------------|
| Interest | \$ 46 |
| Equity in net income of Norowal Marina, Inc. | 232,468 |
| Total Revenue | <u>232,514</u> |

Operating Expenses

| | |
|-----------------------------------|----------------|
| Advertising | 1,227 |
| Amortization | 694 |
| Contract services | 3,378 |
| Insurance | 2,698 |
| Interest | 92,662 |
| Office and miscellaneous expenses | 751 |
| Professional fees | 5,580 |
| Total Operating Expenses | <u>106,990</u> |

Income Before Income Taxes

125,524

Provision for income taxes

1,435

Net Income

124,089

Retained Earnings (Accumulated Deficit)

| | |
|---|-----------------------|
| Retained Earnings, Beginning of Year as Previously Reported | 592,056 |
| Prior period adjustment | <u>(1,979,395)</u> |
| Accumulated Deficit, Beginning of Year as Restated | (1,387,339) |
| Accumulated Deficit, End of Year | <u>\$ (1,263,250)</u> |

**TOWN OF BOLTON LOCAL DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Cash Flows from Operating Activities

| | | |
|---|----|------------------|
| Net Income | \$ | 124,089 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Equity in net income of Norowal Marina, Inc. | | (232,468) |
| Amortization | | 694 |
| Increase in current liabilities: | | |
| Accrued expenses | | 175 |
| Net Cash Used by Operating Activities | | <u>(107,510)</u> |

Cash Flows From Investing Activities

| | | |
|--|--|----------------|
| Dividends received from investment in subsidiary | | <u>259,500</u> |
|--|--|----------------|

Cash Flows From Financing Activities

| | | |
|----------------------------|--|------------------|
| Payments on long-term debt | | <u>(115,038)</u> |
|----------------------------|--|------------------|

Net Increase in Cash and Cash Equivalents

36,952

| | | |
|--|--|---------------|
| Cash and Cash Equivalents at Beginning of Year | | <u>35,338</u> |
|--|--|---------------|

| | | |
|---|-----------|-----------------------------|
| Cash and Cash Equivalents at End of Year | \$ | <u><u>72,290</u></u> |
|---|-----------|-----------------------------|

Supplemental Information

| | | |
|------------------------|----|---------------|
| Cash Paid for Interest | \$ | <u>92,662</u> |
|------------------------|----|---------------|

| | | |
|---------------------|----|--------------|
| Cash Paid for Taxes | \$ | <u>1,289</u> |
|---------------------|----|--------------|

TOWN OF BOLTON LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. ORGANIZATION

The Town of Bolton Local Development Corporation (BLDC) was incorporated in New York State on March 10, 2005 as a special not-for-profit corporation pursuant to Article 14 of New York State Not-For-Profit Corporation Law. The core purpose of creating the corporation was to create a local development organization that would promote tourist business activities within the Town of Bolton, which is a municipality principally comprised of family-owned motels, a destination resort hotel, tourist oriented retail shops and camping, boating, fishing and "day-use activities" on Lake George.

Norowal Marina, Inc. (Marina) is a wholly-owned subsidiary of the Town of Bolton Local Development Corporation. The Marina provides public access to Lake George to residents and visitors of Bolton Landing, NY. The Marina is operated as a park and launch facility with seasonal mooring slips, winter storage and basic amenities such as showers, laundry, bathrooms and limited general store supplies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of BLDC is present to assist in understanding the BLDC's financial statements. The financial statements and notes are representation of BLDC's management, which is responsible for their integrity and objectivity.

Basis of Accounting

The BLDC prepares its financial statements on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The BLDC files a consolidated Federal Corporation Tax Return with its wholly-owned subsidiary, Norowal Marina, Inc., and a separate New York State General Business Tax Return. BLDC pays federal income tax and New York State franchise tax based on its net income.

Since its inception, the BLDC's activity has resulted in net operating losses for federal tax purposes each year. Since the BLDC files a consolidated Federal tax return with the Marina, these losses are utilized to reduce the Marina's taxable income. Accordingly, the BLDC has not recorded any provision for deferred taxes or valuation allowance for deferred taxes.

TOWN OF BOLTON LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

BLDC has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. BLDC believes that income tax filings positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the BLDC's financial condition, results of operations, or cash flows. Accordingly, the BLDC has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2015.

BLDC recognizes interest accrued related to income taxes in interest expense and penalties in operating expenses. During the year ended December 31, 2015, BLDC recognized \$29 in penalties.

BLDC's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. There are currently no audits for any tax periods in progress. In general the tax returns have a three year statute of limitations.

New York State income taxes for the year ended December 31, 2015 were \$1,435.

Advertising

BLDC expenses advertising costs as they are incurred. Advertising costs for the year ended December 31, 2015 were \$1,227.

Unconsolidated Entities

Accounting principles generally accepted in the United States of America require the financial results of all entities where the reporting entity has a controlling financial interest to be consolidated. The BLDC has determined that the Marina, a wholly-owned subsidiary, is an entity where the BLDC has a controlling financial interest. For the year ended December 31, 2015 BLDC elected not to consolidate the Marina into the financial statements of the BLDC.

3. INVESTMENT IN NOROWAL MARINA, INC.

Investment in Norowal Marina, Inc. represents the BLDC's ownership interest in the Marina accounted for under the equity method. Additional information can be found in note 4.

**TOWN OF BOLTON LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

4. RELATED PARTY – NOROWAL MARINA, INC.

As described in Note 1, Norowal Marina, Inc. is the wholly-owned subsidiary of the BLDC.

The Board of BLDC elected not to have an audit of the Marina's financial statements for the year ended December 31, 2015. The following is the condensed balance sheet and statement of operations derived from the Marina's unaudited financial statements for the year ended December 31, 2015:

**Statement of Financial Position
December 31, 2015**

| | <u>Unaudited</u> |
|-------------------------------|-------------------------|
| Assets | |
| Current Assets | \$ 628,255 |
| Property, Plant and Equipment | 1,830,742 |
| Intangible Assets | 334,702 |
| Total Assets | <u>\$ 2,793,699</u> |
| Liabilities | |
| Current Liabilities | \$ 197,376 |
| Long-Term Liabilities | 42,917 |
| Total Liabilities | <u>240,293</u> |
| Equity | <u>2,553,406</u> |
| Total Liabilities and Equity | <u>\$ 2,793,699</u> |

**Statement of Operations
For the Year Ended December 31, 2015**

| | <u>Unaudited</u> |
|------------|-------------------------|
| Revenues | \$ 827,288 |
| Expenses | <u>594,820</u> |
| Net Income | <u>\$ 232,468</u> |

**TOWN OF BOLTON LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

5. LONG-TERM DEBT

Mortgage note payable to Glens Falls National Bank and Trust Company, collateralized by property of Norowal Marina, Inc., payable in monthly installments of \$17,308 inclusive of principal and interest. Interest rate is 5.5% and the mortgage matures in January 2026. \$ 1,598,748

Note payable to the Town of Bolton, guaranteed by the Town of Bolton Local Development Corporation. Payment on this note is deferred for both principal and interest until the Town Board deems necessary. 2,000,000

| | |
|----------------------|--------------|
| Total | 3,598,748 |
| Less current portion | 121,531 |
| Long-term portion | \$ 3,477,217 |

The aggregate maturities of notes payable for the next five years and thereafter are as follows:

| | | |
|------------|----|-----------|
| 2016 | \$ | 121,531 |
| 2017 | | 128,578 |
| 2018 | | 135,934 |
| 2019 | | 143,711 |
| 2020 | | 151,766 |
| Thereafter | | 2,917,228 |
| Total | \$ | 3,598,748 |

6. PRIOR PERIOD ADJUSTMENT

BLDC's retained earnings as of December 31, 2014 were restated to reflect the proper recognition of investment in the Marina and proper recognition of retained earnings to be in accordance with the equity method of accounting for an investment in a subsidiary. Prior to the restatement, the amount recognized as investment in the Marina and the amount recognized as retained earnings were overstated. The effect of the restatement was an adjustment of \$1,979,395 to decrease beginning retained earnings.

| | December 31, 2014 as Previously Reported | Prior Period Adjustment | December 31, 2014 as Restated |
|-------------------|---|------------------------------------|--|
| Retained Earnings | \$ 592,056 | \$ (1,979,395) | \$ (1,387,339) |

TOWN OF BOLTON LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through March 23, 2016 which is the date the financial statements were available to be issued.

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Kevin P. O'Leary, CPA
Timothy A. Reynolds, CPA
Heather R. Lewis, CPA
Heather D. Patten, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Town of Bolton Local Development Corporation
Bolton Landing, NY

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Bolton Local Development Corporation, as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the Town of Bolton Local Development Corporation's basic financial statements and have issued our report thereon dated March 23, 2016. Our report disclaims an opinion on such financial statements because management is unable to provide sufficient appropriate audit evidence for us to determine whether any adjustments are necessary relating to the value of investment in Norowal Marina, Inc., carrying amount of additional paid in capital or equity in net income of Norowal Marina, Inc.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the Town of Bolton Local Development Corporation, we considered the Town of Bolton Local Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bolton Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Bolton Local Development Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2015-001, 2015-002 and 2015-003 described in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Town of Bolton Local Development Corporation, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, instances of noncompliance or other matters may have been identified and reported herein.

Town of Bolton Local Development Corporation's Response to Findings

The Town of Bolton Local Development Corporation's response to the findings identified in our engagement are described in the accompanying schedule of findings and responses. The Town of Bolton Local Development Corporation's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marvin and Company, P.C.

Queensbury, NY
March 23, 2016

**TOWN OF BOLTON LOCAL DEVELOPMENT CORPORATION
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2015**

2015-001 CONSOLIDATED FINANCIAL INFORMATION

Criteria

Accounting principles generally accepted in the United States of America require that the reporting entity include in its financial statements the consolidated financial information of all entities in which it has a controlling financial interest.

Condition

Our auditing procedures disclosed that the Town of Bolton Local Development Corporation has not consolidated the financial information of its wholly-owned subsidiary, Norowal Marina, Inc., into the financial statements of the Town of Bolton Local Development Corporation.

Cause

Management lacked knowledge of financial reporting requirements for its wholly-owned subsidiary.

Effect

The financial statements of the Town of Bolton Local Development Corporation were not in compliance with accounting principles generally accepted in the United States of America.

Recommendation

We recommend that the Town of Bolton Local Development Corporation prepare consolidated financial statements that include financial information of its wholly-owned subsidiary.

Management's Response

The Town of Bolton Local Development Corporation (Bolton LDC) will obtain financial information from Norowal Marina, Inc., its wholly-owned subsidiary, so that the Town of Bolton LDC can prepare consolidated financial statements.

2015-002 SEGREGATION OF DUTIES

Criteria

To the extent possible, internal controls should limit incompatible functions in the cash disbursements cycle from being performed by the same individual.

Condition

Our auditing procedures disclosed that one individual signs checks, receives the bank statements and performs the monthly bank reconciliations.

**TOWN OF BOLTON LOCAL DEVELOPMENT CORPORATION
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2015**

2015-002 SEGREGATION OF DUTIES

Cause

Poorly designed procedures over the cash disbursement cycle.

Effect

Potential misstatement of cash and expenses due to fraud or error.

Recommendation

We recommend that the Town of Bolton Local Development Corporation develop procedure to ensure more than one individual is involved in the cash disbursement cycle.

Management's Response

The Bolton LDC will establish a policy whereby an individual separate from the cash disbursement cycle will review the monthly bank statements for irregularities prior to providing the bank statements to the individual responsible for the reconciliation of the bank statements. The review will be documented on the bank statement with the initials of the person performing the review.

2015-003 PRIOR PERIOD ADJUSTMENT

Criteria

Accounting principles generally accepted in the United States of America require an investor use the equity method to account for and report its investment in an investee if it has the ability to significantly influence the investee's operation and financial position. Under the equity method, the investment is initially recorded at cost and adjusted to reflect the activity of the investment.

Condition

Our auditing procedures disclosed the need for a prior period adjustment to properly reflect the Town of Bolton Local Development Corporation investment in Norowal Marina, Inc., its wholly-owned subsidiary, under the equity method of accounting for investments.

Cause

Policies over accounting for and reporting the investment in Norowal Marina, Inc. were not in accordance with accounting principles generally accepted in the United States of America.

TOWN OF BOLTON LOCAL DEVELOPMENT CORPORATION
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
DECEMBER 31, 2015

2015-003 PRIOR PERIOD ADJUSTMENT

Effect

The financial statements of the Town of Bolton Local Development Corporation were not presented in accordance with accounting principles generally accepted in the United States of America.

Recommendation

We recommend that the Town of Bolton Local Development Corporation develop procedures to ensure its investment in Norowal Marina, Inc. will be properly accounted for under the equity method.

Management's Response

The Bolton LDC will establish a policy that the investment in Norowal Marina, Inc. will be accounted for under the equity method.